

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA**

In re:)	
)	
PAUL TRANSPORTATION, INC.,)	Case No. 10-13022-NLJ
)	Chapter 11
Debtor.)	
)	

**DEBTOR AND THE GE CREDITORS' JOINT MOTION
FOR ORDER AUTHORIZING COMPROMISE
OF CONTROVERSY PURSUANT TO RULE 9019**

Paul Transportation, Inc. (the "Debtor") and General Electric Capital Corporation ("GECC") and Colonial Pacific Leasing Corporation ("CPLC") (collectively the "GE Creditors") (collectively Debtor and the GE Creditors are "Movants") move for entry of an order authorizing the compromises and agreements proposed herein. In support, Movants state as follows:

1. On January 15, 2010, the GE Creditors filed an action against Debtor and Troy Paul in the United States District Court for the Western District of Oklahoma, Case No. CIV-10-41 (the "District Court Case") alleging default under numerous lease agreements and guaranty agreements.
2. Debtor filed its Petition under chapter 11 of the Bankruptcy Code on May 18, 2010 (the "Petition Date").
3. On July 16, 2010, GECC filed its initial Proof of Claim No. 140, as amended July 19, 2010 (Claim No. 140-1), in the amount of \$6,342,394.79.

4. Also on July 16, 2010, CPLC filed its initial Proof of Claim No. 141, as amended July 19, 2010 (Claim No. 141-1), in the amount of \$1,299.808.99.

5. On February 11, 2011, an Agreed Judgment was entered in the District Court Case in favor of GECC against Troy Paul in the amount of \$1,481,369.95 with interest accruing from and after January 31, 2011 at 5.25% per annum (the “GECC Judgment”).

6. Also on February 11, 2011, an Agreed Judgment was entered in the District Court Case in favor of CPLC against Troy Paul in the amount of \$249,413.73 with interest accruing from and after January 31, 2011 at 5.25% per annum (the “CPLC Judgment”).

7. On February 28, 2011, Debtor filed its First Amended Plan of Reorganization [Doc. No. 301] (the “Plan”).

8. The GE Creditors stipulate that they are general unsecured creditors classified under Class 22 of Debtors’ Plan.

9. The GE Creditors and the Debtor have agreed that the Moving Creditors’ claims should be compromised as set forth herein¹.

10. The GE Creditors have agreed to compromise their claims in this bankruptcy proceeding and to accept less favorable treatment under §1123(a)(4) of the Bankruptcy Code.

¹ Pursuant to Local Rule 9013(c), a copy of the Agreement is not attached but is available for review upon request to undersigned counsel.

11. Specifically, Debtor and the GE Creditors have agreed that the GE Creditors' claims shall be allowed in a significantly reduced amount as set forth in the respective Stipulation and Agreed Order Allowing Claim, and that Debtor will make the following payments to the GE Creditors:

Year 1: \$8,038.50/mo X 12 = \$96,462.00

Year 2: \$8,842.35/mo X 12 = \$106,108.20

Year 3: \$9,914.15/mo X 12 = \$118,969.80

Year 4: \$12,057.75/mo X 12 = \$144,693.00

Year 5: \$14,737.25/mo X 12 = \$176,847.00

Year 6: \$16,880.85/mo X 12 = \$202,570.20

Year 7: \$18,756.50/mo X 12 = \$225,078.00

Year 8: \$18,946.63/mo X 12 = \$227,359.56

12. As part of the proposed compromise, the GE Creditors agree to give up any and all rights to distributions to be made from recovery under chapter 5 of the Bankruptcy Code. Accordingly, the GE Creditors will not share in any recoveries under chapter 5 of the Bankruptcy Code made by the Liquidating Trustee, leaving such recoveries otherwise available for Debtor's other general unsecured creditors.

13. In addition, the GE Creditors have agreed to forbear on enforcement of their Judgments in the District Court Case.

14. FED.R.BANKR.P. 9019 authorizes this Court to approve compromises of controversy upon motion, after notice and a hearing.

15. Generally, “Compromises are favored in bankruptcy.” *Korngold v. Loyd (In re Southern Medical Arts Companies, Inc.)*, 343 B.R. 250, 255 (10th Cir. BAP 2006) (citing 10 Collier on Bankruptcy ¶ 9019.01, at 9019–2 (Alan N. Resnick & Henry J. Sommer eds., 15th ed. rev.2006)).

16. A court must determine whether a proposed compromise is fair and equitable and is in the best interests of the estate. *The Official Committee of Unsecured Creditors v. Western Pacific Airlines, Inc. (In re Western Pacific Airlines, Inc.)*, 219 B.R. 575, 579 (D.Colo. 1998).

17. In doing so, courts look to four factors: “(1) the probable success of the litigation on the merits; (2) any potential difficulty in collection of a judgment; (3) the complexity and expense of the litigation; and (4) the interests of creditors in deference to their reasonable views.” *Id.*

18. Here, the proposed compromise is fair and equitable and in the best interests of Debtor’s estate. Debtor’s Plan contemplates that Troy Paul will remain in control of Debtor’s post-confirmation operations. The proposed compromise contemplates forbearance on enforcement of the Judgments against Mr. Paul, allowing him to focus on the post-confirmation operations of Debtor.

19. In addition, the GE Creditors collectively hold claims filed excess of \$6 Million, and have voluntarily agreed to significantly reduce their claim amounts. The compromise saves the time and expense of litigating such claims. Moreover, under the

terms of the proposed compromise, the GE Creditors will not share pro rata in any chapter 5 recoveries--which will then be available for distribution to Debtor's remaining general unsecured creditors under the Plan.

WHEREFORE, for the reasons stated, the GE Creditors and Debtor request entry of an Order approving the compromise of controversy proposed herein and in the attached proposed Settlement Agreements and granting all other such relief this Court deems necessary and just.

/s Matthew C. Goodin.
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s/ William H. Hoch

Signed by filing attorney with permission

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CORPORATION, AND TRANSPORT
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CERTIFICATE OF SERVICE

This is to certify that on the 25th day of April, 2011, I electronically transmitted the above and foregoing motion to the Clerk of the Court using the ECF System for filing and transmittal of a Notice of Electronic Filing to the ECF registrants.

This is to further certify that on the 25th day of April, 2011, true and correct copies of the above and foregoing were mailed by first class mail, postage prepaid, to all parties listed on the Service List attached hereto as Exhibit "A."

/s/ Matthew C. Goodin

Matthew Goodin, OBA #19327

Mailing Information for Case 10-13022

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive e-mail notice/service for this case.

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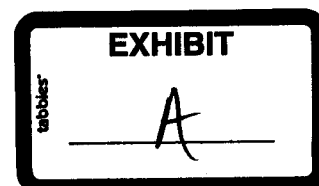
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**20 Largest Unsecured Creditors
(less OUCC):**

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Comdata Corp PA427
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Brentwood, TN 37027

Goodyear Tire and Rubber Co
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The Goodyear Tire & Rubber Company
Law Department
1144 East Market Street
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Dynasty Transportation Inc
PO Box 91825
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Kansas Department of Revenue
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Regions Interstate Billing
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Qualcomm Incorporated
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Barber County Treasurer
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Arkansas Dept of Finance & Admi
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Arkansas Employmt Security Dept
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Colorado Department of Labor &
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Colorado Dept of Revenue
Room 504
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